

Message Text

CONFIDENTIAL

PAGE 01 STATE 098512

17

ORIGIN XMB-04

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 OPIC-03 SP-02 CIEP-01

OMB-01 /040 R

66611

DRAFTED BY: XMB:JOSEPH H. GAINER, COUNSEL:HBS

APPROVED BY: EB/OCA/REP:EMCKEON

LEO NIELDSON, DEPUTY TREAS., OPIC

WALTER C. SAUER, FIRST V.P., EXIM

EB/IFD/ODF:RASWART

EA/TB/JAKLEMSTEIN

----- 084255

R 282203Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

C O N F I D E N T I A L STATE 098512

E.O. 11652: GDS

TAGS: ETRD, US, TH (STAVE, THOMAS C.)

SUBJECT: EXIM CREDIT 2336 - THE SIAM KRAFT PAPER CO., LTD.

1. EXIM AND OPIC APPRECIATE EMB'S EFFORTS ASSIST EVALUATING
RELATIVE ADVANTAGES AND DISADVANTAGES AS BETWEEN MEMORANDUM
OF UNDERSTANDING (MU) AND BANKRUPTCY, SET FORTH GALLUP
MEMORANDUM TO STAVE DATED APRIL 1, 1975. ALSO REALIZE
MEMORANDUM IS SUMMARY AND ANALYSIS NOT EMB'S POSITION ISSUES.
HOWEVER, SOME POINTS MADE REQUIRE COMMENT, PARTICULARLY IN VIEW
EXIM/OPIC POSITION FURTHER INTEREST PREFERENCE FOR SIAM
CEMENT COMPANY (SCC):

A. FINAL CONCLUSION REACHED ON ONE HAND THAT FURTHER CONCES-
SIONS COULD BE MADE BY EXIM/OPIC, INCLUDING INTEREST
PREFERENCE TO SCC. ON OTHER HAND, MEMORANDUM STATES: IF
REORGANIZATION HAS ONLY 50/50 CHANCE SUCCESS (AND MEMORANDUM
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 098512

CORRECTLY SUMMARIZES DIFFICULTIES FACING REORGANIZATION),

TOTAL PREFERENCES IN EXCESS 75 MILLION BAHT NOT JUSTIFIED. SINCE MU ALLOWS PREFERENCES UP TO 100 MILLION BAHT AND PREFERENCES CLAIMED BY OTHER CREDITORS WOULD EASILY REACH THIS WHEN ADDED TO PROPOSED 60 MILLION BAHT, IF INTEREST PREFERENCE CLAIMED BY OTHER CREDITORS AT SIMILAR RATE TO SCC'S, TOTAL PREFERENCES WOULD EQUAL AT LEAST BAHT 114 MILLION. IF DEBTS OUTSTANDING MORE THAN ONE YEAR, MORE PREFERENCES WOULD ACCRUE. B. MEMORANDUM ALSO CONCLUDES PROBABILITY SUCCESS REORGANIZATION KEY FACTOR SINGING MU, YET IMPLIES SCC, WHICH IS CHARGED WITH PLANNING REORGANIZATION, COULD BENEFIT IF REORGANIZATION UNSUCCESSFUL. DOES EMB HAVE VIEWS SCC'S INTENTIONS THIS REGARD? IF SUBSTANTIAL DOUBT EXISTS, MATTER SHOULD BE CLARIFIED BEFORE MU SIGNED. C. MEMORANDUM STATES EXIM/OPIC WOULD BE BETTER OFF IN BANKRUPTCY THAN LIQUIDATION BY SHAREHOLDERS, BUT ALSO RECITES DIFFICULTIES IF EXIM/OPIC INVOLVED IN COURT ACTION. DOES EMB HAVE SUGGESTIONS IN EVENT LIQUIDATION INSTITUTED? D. MEMORANDUM REVIEWS POSSIBLE DAMAGE U.S. REPUTATION THAILAND ARISING FROM POSSIBLE ALLEGATIONS EXIM/OPIC USED UNDUE PRESSURE AGAINST KTB, EXIM/OPIC NOT GIVING PROPER PROTECTION THAI GOVERNMENT AND MONARCHY, AND U.S. GOVERNMENT BEING TAKEN ADVANTAGE OF. RE KTB, EXIM/OPIC FAR FROM PRESSURING KTB, MADE SUGGESTIONS AND CONCESSIONS TO PROTECT AND BENEFIT KTB'S INTERESTS UNDER MU TO WHICH, IT IS UNDERSTOOD, KTB NOW AGREES. RE THAI GOVERNMENT AND MONARCHY, EXIM/OPIC BELIEVE THEY HAVE OVER YEARS MADE SUBSTANTIAL CONCESSIONS TO PRESERVE PROJECT TO BENEFIT GOVERNMENT AND MONARCHY. RE U.S. GOVERNMENT'S BEING TAKEN ADVANTAGE OF, EXIM/OPIC RESISTING SCC'S CLAIM FOR INTEREST PREFERENCE PRECISELY BECAUSE OF THIS POSSIBLE CHARGE. E. CONSIDERATION OF CALCULATIONS BASED ON INCREASING PREFERENCES FROM BAHT 60 MILLION TO BAHT 70 MILLION CAN BE ELIMINATED SINCE, TO EXIM/OPIC'S KNOWLEDGE, NEITHER KTB NOR ANY OTHER CREDITOR NOW PRESSING THIS CLAIM. F. EXIM/OPIC NOT PREPARED MAKE ANY CONCESSIONS ON SUBORDINATED DEBT IN ABSENCE MATERIAL CONCESSIONS FROM OTHER CREDITORS. G. IN EVENT REORGANIZATION, ADJUSTMENTS WOULD BE NECESSARY AS TO AMOUNT AND/OR TERMS REPAYMENT ALL DEBT IN VIEW SKPC'S EARNING POTENTIALS. SECURED DEBT, AS WELL AS GENERAL CREDITORS, WOULD STAND BEHIND PREFERENCES. POSSIBLE NEITHER PREFERENCES NOR SUBORDINATED DEBT WOULD BE RECOGNIZED

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 098512

BY BANKRUPTCY COURT AND CLAIMS WOULD HAVE TO BE MADE OUTSIDE BANKRUPTCY BETWEEN CREDITORS.

FOLLOWING UNCLASSIFIED:

2. OTHER EXIM BUSINESS REQUIRES LES WOLFE, EXIM'S FINANCIAL OFFICER, TRAVEL AUSTRALIA. HE WILL STOP BANGKOK SEVERAL DAYS AROUND MAY 5 OR 6 DISCUSSION MATTERS AFFECTING REORGANIZATION,

INCLUDING MATTERS RAISED IN HARVEY LEVE'S APRIL 19 LETTER TO
EXIMBANK AND HE WILL BRING LETTER TO SCC RE EXIM/OPIC
POSITION ON INTEREST PREFERENCE. KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKRUPTCY, POLICIES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE098512
Document Source: CORE
Document Unique ID: 00
Drafter: XMB:JOSEPH H. GAINER, COUNSEL:HBS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750149-0613
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750410/aaaaajey.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN XMB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUL 2003 by BoyleJA>; APPROVED <20 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXIM CREDIT 2336 - THE SIAM KRAFT PAPER CO., LTD.
TAGS: ETRD, US, TH, OPIC, XMB, SIAM KRAFT PAPER CO LTD, SIAM CEMENT CO, (STAVE, THOMAS C), (WOLFE, LESLIE A)
To: BANGKOK
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006